THE OTHER SIDE
of
CO-OPERATIVE TRADING

– BY –

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THE right of any man or set of men to embark in any lawful enterprise which they may conceive to be to their advantage is unquestionable, but when such enterprises affect the welfare of the whole community, other people have an equal right to comment upon them. It is a good rule to consider every side of a question before taking definite action. Fair criticism and discussion under such circumstances should be welcomed. For this reason I venture to submit some observations upon the article by Mr. C. Rice-Jones, "Co-Operative Trading Operations of Farmers' Organizations", which is upon the agenda of the meeting of the Joint Committee of Commerce and Agriculture, at Regina, on February 4-5. And while I have no authority to speak for anyone else, and shall merely give my personal conclusions, nevertheless I believe that I am expressing the mature judgment of a large section of our business community.

FIRST. The farming industry of the three provinces is obviously the basis of our entire economic life. No one disputes this. Everyone recognizes that upon the prosperity of our farmers depends the success of this western country. All will generously welcome anything which makes towards the betterment of the conditions under which the farmers live. No individual or sectional interest must stand in their way. Still, it should also be recognized that the farmers of this country are simply a part of its common life, and they themselves are also dependent upon the general welfare of the community as a whole.

SECOND. It is a little difficult to get statistics as to the comparative prosperity of the farming and business communities, but I think that the history of this country has shown that farming has not been unprofitable as compared with, for instance, country stores. How many retail merchants who were in business ten years ago are now in business? How many have been forced out from one cause or another? How few have in that time achieved competence? I am prepared to assert from a long experience in analysing the balance sheets of country merchants, that they have made no undue profits. On the contrary, many of them have struggled along for years with comparatively little success. I do not believe today that the farming community, as compared with the retailers, is in need of financial assistance. I believe further that the farmers as a body would resent any such implication. Their success or failure has come, not by reason of the prices which they have had to pay the country storekeeper, but from broader causes, their farming methods, the price of grain, the success or otherwise of their crops.

THIRD. Farmers are not in a unique and unenviable position in that they have to sell their products at whatever price is offered, whereas they have to buy at whatever price they may be asked. The price of all products in this age is fixed by the laws of supply and demand. The farmer gets for his grain practically the world price. There may be local conditions which affect this. I know that at times they have not been dealt with fairly by the grain buyers. Still, the basic price is not fixed in this country.

Similarly, the merchant, in selling his goods, has to ask a price which is based upon the cost of production, plus the cost of distribution. It is equally true that there have been, no doubt, many cases where particular merchants asked excessive prices. In doing so, they were reprehensible and foolish, but at the present time it may be asserted that the average retail merchant in the country is asking no more than a fair profit on his goods, and that he is getting no more is evidenced by what I have said in respect of his business. It may be

added that all consumers, farmers, mechanics, clerks, the general purchasing public, are subject to the same economic law. There is no discrimination against the farmers, nor in favor of any particular class. Nor is it possible to transmit general merchandise direct from the manufacturer to the consumer. Credits must be extended. Stocks must be collected, assorted and distributed. The only exception to this rule is in a few lines: binder twine, flour, and the like, and even these can only be handled on a cash basis. Modern business is a huge complicated machine, whose working is the result of the best experience of past ages.

FOURTH. What is meant by Farmers' Trading Associations? To what extent is it proposed that they shall be established? The article referred to is vague upon this point. At the present time, excepting a few stores established by the Saskatchewan Grain Growers' Association, there is no large organization of farmers' co-operative businesses in this country. There have been quite a number of local associations caused by local needs, which have been more or less successfully established, but so far no broad attempt has been made to introduce co-operative trading. If, however, it is assumed that such a proposition is in contemplation, then there are several considerations which should be carefully taken into account:

A. Such associations must of necessity carry sufficient general stocks to supply the community.

B. Such associations must therefore raise the necessary amount of capital wherewith to finance such business.

C. The success of such associations will depend upon their proper management. If they are local in their origin, each will stand on its own footing. If they are under one head, it will involve an organization more or less large, depending upon the scope of the enterprise. It is then pertinent to ask, how and by whom will they be managed? The farmers have their own business to look after. In establishing trading associations they must rely on outside help. Such help, if competent, must be well paid. It is a grave question whether the benefits which will ensue to the farmers under such circumstances will compensate for the capital invested and the risks involved.

D. Such stores should be for the benefit of the entire community. They should sell to everyone. In this connection it may be noted that the Saskatchewan legislation with reference to co-operative associations discriminates against those who are non-members, which is a restrictive proposition and unfair in its application to the whole community.

E. Such stores should sell on credit to those who need and are worthy of it. It is interesting to observe that credit sales are prohibited by the Saskatchewan act referred to. To that extent they benefit only those farmers who are well-to-do. They will be of no assistance to others who are not in a position to pay cash. In other words, the tendency of such legislation and of such a course of dealing is to create a favored class among the farmers themselves.

F. At what points is it proposed to establish new farmers' co-operative associations? Will they be confined to places where proper service is not being given by local merchants, or will they enter into business in towns where those who are already established are doing their best to give the community the benefit of fair trade? In a word, will they be called into being simply as a money-making proposition, or will they be started only in localities where there is a present need of more or better stores?

FIFTH. It is asserted that there been a multiplicity of local stores, two or three times as many as the tributary country would carry. I challenge the accuracy of that assertion. In the three provinces, leaving out the principal business centres, Winnipeg, Calgary, Edmonton, Saskatoon, Moose Jaw, Regina and Brandon, there are 3,161 postoffices, with 3,640 general stores. Allowing for postoffices where there are no stores, these figures show that it is impossible that there should be twice, let alone three times, as many stores as there should be.

It seems clear that the establishment of a store is predicated upon there being business to support it reasonably. It is also equally certain that if there are two or three times the number of stores which the country will support, then some of these are fore-doomed to failure. Anyhow, if there are now more stores than are needed, why should the farmers increase the alleged evil by establishing additional stores of their own?

SIXTH. It is true that a large number of our country merchants are men who have gone into business without previous experience but it is difficult to see how that can be used as an argument for the establishment of stores by farmers who have themselves no business training. If it is urged that the latter can employ competent managers, then it must be admitted that such have no personal interest, except their salaries, in the success of the business, and not the same incentive and inducement to efficiency and good work as the country merchant who stakes his entire future upon the success of his enterprise, and who has his own local interests. It should also in fairness be said that many merchants, starting with no experience, have developed into successful business men.

SEVENTH. I am thoroughly in accord with the idea that there should be a separate cash and credit price, or rather, I should say that there should be a fixed price, with a discount given for cash. Where this has not been done, undoubtedly the purchasing community has a just ground for criticism. I know that many retailers do not think that this is practicable, but the dissatisfaction which has arisen over present methods must be allayed if the farmers and retail trade are to work harmoniously together.

EIGHTH. The credit system is not the cause of the conditions which have obtained throughout the west. It is their effect. Its necessity in the development of a new country is admitted by Mr. Rice-Jones, but it is thought that by cutting out some credits the rest could have been taken care of by the banks. The answer to that is that up to the present time the banks have not done so, nor in my judgment will they. I notice with a great deal of interest a proposition on the agenda for the financing of the homesteaders, which perhaps has already been discussed. Anything that can be done in that direction will be of great assistance to the farming community. Nevertheless, the banks, from the very necessities of their business, must confine themselves to secured risks. The struggling farmer is not such, and yet he must get credit if he is going to live. This country has grown to its present magnificent proportions solely owing to the credit system. If it had not been for credits extended by retail and wholesale merchants, farmers could not have lived. It is true that credits have been improperly given, that is to say, to the farmers themselves, but it is difficult to understand the logic of placing the blame for this upon the retailers. No retailer sells for credit as a matter of choice. He would much prefer to have cash, but if the farmer needs and insists upon credit, the merchant must give it to him or lose his trade. Every farmer knows that, and while the system has been abused, still there is no getting away from the fact that, broadly speaking, such credits have been a necessity. Indeed, it is only of late years, with the increasing prosperity of the agricultural class, that there has been any talk either of co-operative buying, or of the abuses of credits. With a crop failure there would be a different story. I venture to say that these abuses do not appeal strongly to the homesteader, the tenant, or the new farmer. Considering that this country is really in its infancy, that we are all looking for an influx of fresh settlers after the war, that we have vast stretches of land still uncultivated, the proposition that credit is unnecessary and should be done with, would seem to be absolutely untenable. The "cash only" basis is a chimera.

NINTH. The assumption that losses from bad debts are owing to the credit system, and that therefore wholesalers have to increase their prices to the consumer, is fallacious. The latter, no doubt, do to a slight extent consider losses in fixing prices, but the proportion

which bad debts play in the entire proposition is so small as to be practically negligible. Losses are inevitable in any country and under any system. They must, therefore, be allowed for. The causes of failure are many, and often complex. It is impossible to ascertain exactly to what extent wholesale losses come from failure to collect accounts, but they have not been important in so far as the fixing of the price to the consumer is concerned.

TENTH. Manufacturers have certainly not been handicapped in buying raw material owing to improper credits given to farmers. No such instance can possibly be adduced. The financing of manufacturing concerns is a matter which is entirely dependent upon the successful conduct of their business. Their losses from sales to jobbers have been practically nil.

ELEVENTH. The farmer, except in isolated cases, where he is the victim of unscrupulous retailers, does not pay more than a fair price for his goods. I am now speaking of present conditions. I admit that some years ago in too many localities the farmer was taken advantage of by the local merchant, but it may be asserted that today, (and we are not talking of ancient history), the farmer, with the assistance of the mail order catalogue, knows about as much about what goods should cost as the retailer himself. As it stands now, as I have said before, he pays on the basis of cost of production, plus distribution, as does everyone else.

TWELFTH. It is admitted that there is an absolute need for country storekeepers. I believe that today they are prepared to do business on a legitimate basis, and I do not think that they should be forced to meet the competition of farmers' organizations when they so conduct their business. The question is really one of the survival of community life among us, and that is a matter in which the farmers themselves are as much interested as anyone else. It is to the interest of the farmer that his local village shall be live and prosperous.

THIRTEENTH. It is suggested that the farmer should benefit by acquiring the profits from the sale of merchandise. This, of course, depends upon considerations which have been adverted to, but it may be gravely doubted whether the farmer could not use his capital to better advantage in the way of acquiring and cultivating more land, of improved roads, better school facilities, etc., than by investing ... capital in enterprises which are outside of the scope of his legitimate business, and endeavoring to make or save money in that way.

Another thing: is it fair that local merchants shall be compelled to go out of business, when they are giving good service to the public, through the competition of farmers' co-operative associations. Do not the farmers believe in the maxim: "Live and let live"?

FOURTEENTH. So far as I am aware, there is no bitter opposition evidenced by either the wholesale or retail interests to the trading operations of farmers' organizations. If such organizations are along legitimate lines, if they are established for the benefit of the community as a whole and not of any particular class, if they are not mere distributing agencies for a few classes of goods to a favored portion of the community, there is no reason in the world why they should not come into fair competition with businesses already established where the necessity arises, but if the converse be the case, then such organizations can hardly come within the scope of fair business dealings. Certainly it cannot be said that they will be boycotted. They will simply be attempting to perform a function for which, under business usages, they have not laid a proper basis.

FIFTEENTH. It is suggested that the farmers will, in certain contingencies, manufacture various lines of goods themselves. It will be interesting to have this propostion elucidated in detail. Considering the fact that manufacturing is necessarily dependent upon huge aggregations of capital, with corresponding plants, access to raw materials, skilled workmen and staffs, it is hard to see how

any such attempt could be successfully made. Certainly if the farmers go into such enterprises they should do it with their eyes open.

SIXTEENTH. The reasons for the taking over of industries during the war by the government are apparent, but their analogy to the processes of normal business conditions is not so clear. While no one can foresee the tremendous changes which this terrific war will entail upon the life of the world, and while it is evident that things will never go back to their former position, still only an extreme theorist would [illegible] in favor of continuing the methods [illegible] have been rendered necessary by [illegible] gencies of the war. Private tradin[illegible] n hardly be compared to public utilities, nor do I believe that the farmers of Western Canada are in danger of becoming socialists.

SEVENTEENTH. There is no doubt that the farmers' organizations are here to stay, and, what is more, he would be a foolish man who does not welcome them within their legitimate spheres, but it is submitted that the establishment of extensive and unnecessary stores by the farmers cannot be called that, and it is a serious question whether such stores will [illegible] prove a benefit to the farming cl[illegible] It is obvious that the decision of this matter must rest in their hands, but they would be well advised to take into consideration all of the factors affecting this important problem and not to undertake this experiment unless there is an absolute necessity for it.

FINALLY, I want to make it clear that what has been said above is meant in no carping or contentious spirit but in an honest endeavor to ascertain what Mr. Rice-Jones has well said we should all aim at: the best interests of the country as a whole.

Winnipeg, January 31, 1918.

H. H. PIGOTT.